Maple Leaf Mills Limited

ANNUAL REPORT TO SHAREHOLDERS, MARCH 31, 1968

MAPLE LEAF MILLS LIMITED

financial highlight summary

	Year ended March 31, 1968	Eight months ended March 31, 1967
Revenue from Sales, Services and Commodity Trading Margins	$136,813,718	$ 90,106,893
Earnings before Income Taxes	$ 5,559,264	$ 4,698,674
per Dollar of Revenue—(Cents)	4.1	5.2
Income Taxes	$ 2,710,000	$ 2,447,000
per Common Share	$1.70	$1.53
Net Earnings	$ 2,849,264	$ 2,251,674
per Dollar of Revenue—(Cents)	2.1	2.5
per Common Share	$1.72	$1.36
Dividends	$ 1,414,670	$ 1,066,980
per Preferred Share	$5.50	$4.125
per Common Share—(Cents)	80	62.5
Working Capital	$ 18,182,618	$ 21,136,154
Additions to Fixed Assets (Net)	$ 5,498,294	$ 1,827,495
Depreciation	$ 2,410,898	$ 1,528,000
Common Shares Outstanding	1,596,920	1,594,366
Common Shares Book Value	$23.54	$23.16
Common Shareholders	2,747	2,782

MAPLE LEAF MILLS LIMITED

DIRECTORS:

H. N. Bawden	James L. Lewtas, Q.C.
A. D. Clark	G. M. MacLachlan
J. D. Gibson	J. D. Mingay
Dr. James Gillies	B. A. Norris
P. G. Kingsburgh, C.A.	C. E. Soward
J. D. Leitch	J. H. Taylor

OFFICERS:

Chairman of the Board	J. D. Leitch
President & Chief Executive Officer	G. M. MacLachlan
Executive Vice-President	R. G. Dale
Vice-President & Secretary	H. V. Hawkins
Vice-President Finance & Treasurer	J. A. Telfer
Assistant Secretary-Treasurer	John Otto
Controller	J. J. Wigle

SENIOR VICE-PRESIDENTS:

A. W. Archibald

P. W. Strickland

VICE-PRESIDENTS:

C. P. Coutts	W. G. Milliken
S. A. Miller	C. L. Turner

BANKERS:

Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
Bank of Montreal

TRANSFER AGENTS & REGISTRARS:

Crown Trust Company, *Toronto and Montreal*

AUDITORS:

Clarkson, Gordon & Co., *Toronto*

TO THE SHAREHOLDERS

On March 31st, 1968, was completed the first full year since changing the Company's fiscal year-end from July 31st. Accordingly, last year's results cover an eight-month period and comparisons with the immediate past must take this recent change into account. Operations during the twelve months ended March 31st, 1968, produced earnings of $1.72 per Common share which compares with $1.36 for eight months last year, and $2.03 for the last former fiscal year ended July 31st, 1966. This year's earnings are down about 15% from the most recent highest earnings level and are about average as compared with the last five years. It is pleasing to be able to report that in spite of the current year's decline the Company's earnings over the past five periods exhibit a growth trend from $1.12 per Common share in 1963 and that future prospects are promising for continuing progress. After the close of the fiscal year an agreement for the sale of the bulk carrier "Inverewe" was arranged. This transaction when completed will result in a loss which has been anticipated and provided for in the statement of surplus.

In many respects this has been an unusual twelve months. During this period a strike closed the large Port Colborne mill for two months, and an explosion and fire at the Almonte mill cut off its production for three months. Interest rates paid by the Company on its bank loans rose while costs of operation continued to increase at a rate exceeding over-all productivity gains. In international markets there were currency fluctuations which led to some trading losses and narrowed the available markets. On the positive side sales continued to increase in most areas of activity, and a large and potentially profitable acquisition was made in the purchase of all the agricultural assets of The Quaker Oats Company of Canada. A great deal of progress was made in integrating smaller acquisitions and in plant improvements to lower specific production costs. The earnings for the period were $2,849,264 and these are compared with those of the last five years in the following statement:

FIVE-YEAR STATEMENT OF EARNINGS

	1968	1967*	1966	1965	1964
Earnings before undernoted items	$8,389,495	$6,506,336	$9,211,699	$8,175,575	$9,258,386
Dividends from unconsolidated subsidiaries	229,502	89,385	217,984	236,818	92,249
Income on marketable securities	50,054	42,150	53,933	24,927	7,626
Profit on sale of fixed assets	47,562	38,316	95,478	24,274	114,860
Profit on sale of marketable securities	(68,635)	37,416	43,081	—	—
Profit on sale of preference shares of an unconsolidated subsidiary	—	—	—	—	95,621
Profit on retirement of sinking fund debentures	47,175	31,460	—	—	—
	8,695,153	6,745,063	9,622,175	8,461,594	9,568,742
Deduct:					
Depreciation	2,410,898	1,528,000	2,416,296	2,610,202	2,575,271
Interest on funded debt	707,116	505,352	885,647	1,100,080	1,171,268
Income taxes	2,710,000	2,447,000	2,983,000	2,234,000	2,813,000
Dividends on preference shares of subsidiary companies	17,875	13,037	17,664	9,916	11,238
	5,845,889	4,493,389	6,302,607	5,954,198	6,570,777
Net earnings	2,849,264	2,251,674	3,319,568	2,507,396	2,997,965
Deduct dividends on preference shares	102,293	76,721	102,294	102,295	102,295
Net earnings available for common shares	$2,746,971	$2,174,953	$3,217,274	$2,405,101	$2,895,670

*Eight Months

The regular dividend was increased during the year to 80¢ a share, which was paid on a quarterly basis, and an extra of 5¢ was declared and paid in October, 1967. Working capital declined at the year-end to $18,182,618, which is a decrease of $2,953,536, reflecting the larger outlay on acquisitions and major capital expenditures to improve the plants.

THE FLOUR AND GROCERY PRODUCTS division contributed well to earnings, in spite of the loss of production entailed by the Port Colborne strike and the fire at Almonte. Domestic flour sales volume continued at approximately the same level as the previous year and exports declined approximately 9%. The margin on the flour delivered to the Russians was reduced because of lower millfeed prices and the impossibility of obtaining higher prices from the buyers to cover cost of production increases. Commercial export sales declined slightly with the opening of local mills in Ghana and Sierra Leone. In the United Kingdom the devaluation of the British pound added to the difficulty of competing against home milled flour.

Grocery Products, which include the Company's extensive line of Cake Mixes, Breakfast Cereals, Puddings and Desserts, showed a substantial increase in volume but are not yet contributing satisfactory earnings. The profitable selling of this type of product from coast to coast presents unique problems in distribution and salesmanship. The sales force during the year added Steele Briggs and Rennies Seeds to its line of products, and gave up the sale on a brokerage basis of E. D. Smith and St. Lawrence Starch products. The seven-year association with these two companies was a pleasant and successful one, and was terminated with regret on both sides. The Pet Food products showed an increase in sales and a gain in profit, and the line of goods produced by this department will be expanded during the coming year.

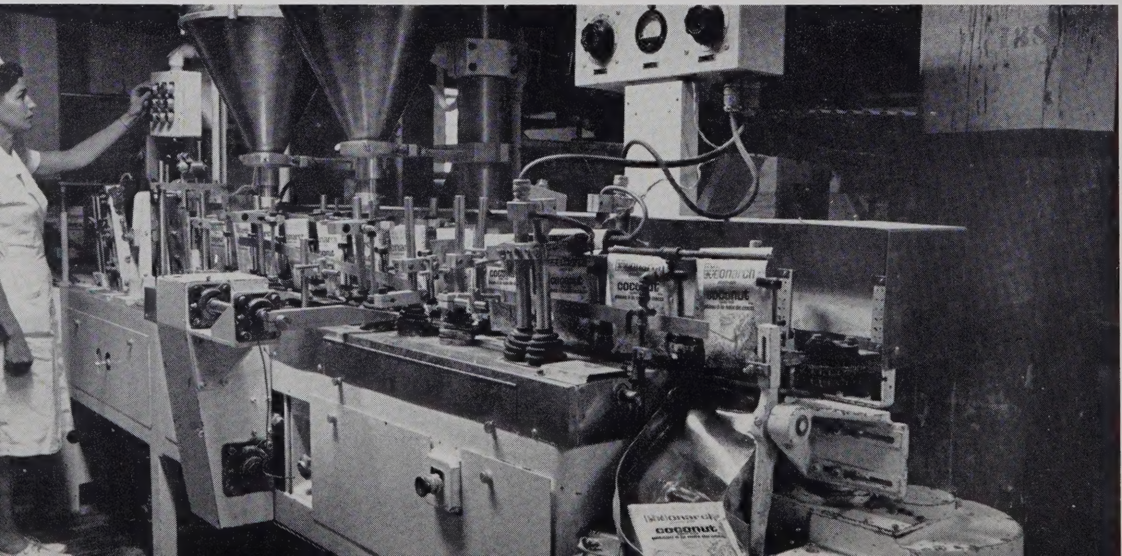
Within the division large capital expenditures were made to improve efficiency. At St. Boniface the plant has been converted to bulk storage and high-speed packing. At West Toronto the cereal and mix plant, which is operating at capacity, is receiving new production facilities while the modernization of the flour mill, through installation of air conveying and other projects, continues apace.

THE AGRICULTURAL division's over-all financial results declined from a year ago, although the sales of

Injecting antibiotic into chicks at Skyline hatchery.

Master Feeds again showed an increase to an all-time record. The volume improvement was offset by higher costs throughout the division. The poultry processing plants experienced a most difficult year with a substantial decrease in profits as the price which had to be paid for live chickens was too high in relation to the price received for the dressed broilers. In addition the chicken marketing board cut quotas in Ontario, and as a result there were large imports from the Province of Quebec. The new turkey processing plant in Chatham, in its first year of operation, ran into start-up problems which caused initial losses. The Special Products Department showed satisfactory results, although a decrease from the previous period. The retail chain of branches in Ontario and in the Maritimes had excellent profits and record sales of products.

Within the division there was continued expansion in several directions. The new feed plant at Komoka, Ontario, commenced operations in January and has



Monarch Cake Mixes on the Pouch-Pak line at the West Toronto mill.

produced standard quality feed with few start-up problems. New retail branches were built in Charlottetown, P.E.I., and Red Deer, Alberta. A retail branch was acquired at Three Rivers which is the first in the Province of Quebec. The new Master Feeds Research Farm situated between Toronto and Guelph, near Hornby, Ontario, is under construction and the poultry units should be finished in the autumn of 1968.

The major development within the division was the purchase of the Agricultural Division of The Quaker Oats Company of Canada Limited. This acquisition, which was completed just at the year-end, expands substantially the size of the Master Feeds operation, adds a dehydrating business to the Company and increases the processing capacity. Along with the Quaker assets came most of their personnel who constitute an additional valuable acquisition by the Company.

Contributions to earnings in the farm and forage seed segment of the Seed Operations across the country were down substantially this year, due mainly to world market conditions, while sales of other lines, including lawn seeds, continued at a profitable level.

Work was carried on during the year to integrate Steele Briggs Seeds into the over-all seed business across the country, and the marketing and sales of packet seeds are being effectively handled by the Flour and Grocery Products Division with an encouraging outlook. Plans are being developed to establish plant breeding facilities in Ontario, thus Maple Leaf will become the first company in Canada to enter this field.

THE GRAIN MERCHANDISING AND ELEVATOR division also showed a decline in earnings, due mainly to losses in international trading and keen competition in the domestic handling of grain products. The nature of the business of this division changes from year to year. For instance, during 1967-68 there was much more Ontario corn available and this replaced other feed grains normally shipped by the division, thus a new pattern of trading developed.

As other parts of the Company have expanded the Grain Division has tended to become increasingly concerned with providing raw materials within the organization. The Toronto Elevator achieved a larger total revenue but kept barely ahead of increased costs of labour, salaries and taxes. The Board of Grain Commissioners consented to a small increase in tariffs but this is unlikely to be sufficient for the future. The Sarnia Elevator had a good year because there was a smaller export movement of Canadian wheat and the elevator was used more to capacity for storage purposes.

St. Clair Grain & Feeds contributed increased profits. Its new elevator at Newbury has been a marked success and fertilizer operations showed improvement. St. Clair is becoming more profitably involved in the development of seed corn in co-operation with the Seed Department of the Company. Plans are under way for the construction of a Seed Corn processing plant at Wallaceburg.

The International Trading Department experienced disrupting factors, such as the international monetary crisis and the closing of the Suez Canal, both of which caused wide fluctuations in commodity prices and trading profits suffered a serious decline. It is anticipated that the early months of the new year will be much more normal.

The Head Office, grain, feed and oil complex on the waterfront, Toronto.

THE VEGETABLE OILS division, along with the Canadian vegetable oil processing industry, has been faced with many difficulties over the past year, resulting in lower conversion margins for both flaxseed and soybean crushing operations.

Sharply reduced production in 1967 in the three major exporting countries—United States, Canada and Argentina—has resulted in continued high flaxseed and linseed oil prices from mid-July until the year-end, with no compensating increase in the price of linseed oilcake meal. The downward trend in the consumption of domestic linseed oil continued because of the decreasing demand for drying oils in the protective coating industry and the increased usage of cheaper substitutable oils. Flaxseed availabilities in North America are declining rapidly, and with competition from Argentina at a minimal level the tight supply situation will continue until the new crop is available in September-October.

The soybean processing industry has been faced with relatively high raw material costs and a low return on end products. This problem has been aggravated by importation of low-priced sunflower seed oil which is interchangeable with soybean oil in the manufacture of margarine, shortening, cooking and salad oils.

Unfortunately, this situation appears to be a continuing one for a greater part of the new year as the 1968 U.S. soybean support price is unchanged and does not provide soybeans with the price flexibility to compete and fight to hold the markets for their end products.

THE RESEARCH AND DEVELOPMENT division continued its work in the general fields of flour milling and baking, chemistry and oils, processing and packaging, pet foods and the development of a variety of new food products. During the year several new products were introduced and marketed successfully, including Butter Tart and Lemon Tart mixes, new Cake Mixes and a completely new line of Parfait Desserts. In addition a Sugar Pie Mix, a traditional favourite in Quebec, was developed and introduced specifically for that province.

Studies were continued during the year on interesting new uses for wheat products other than for food purposes, as well as work to improve flour quality and baking techniques.

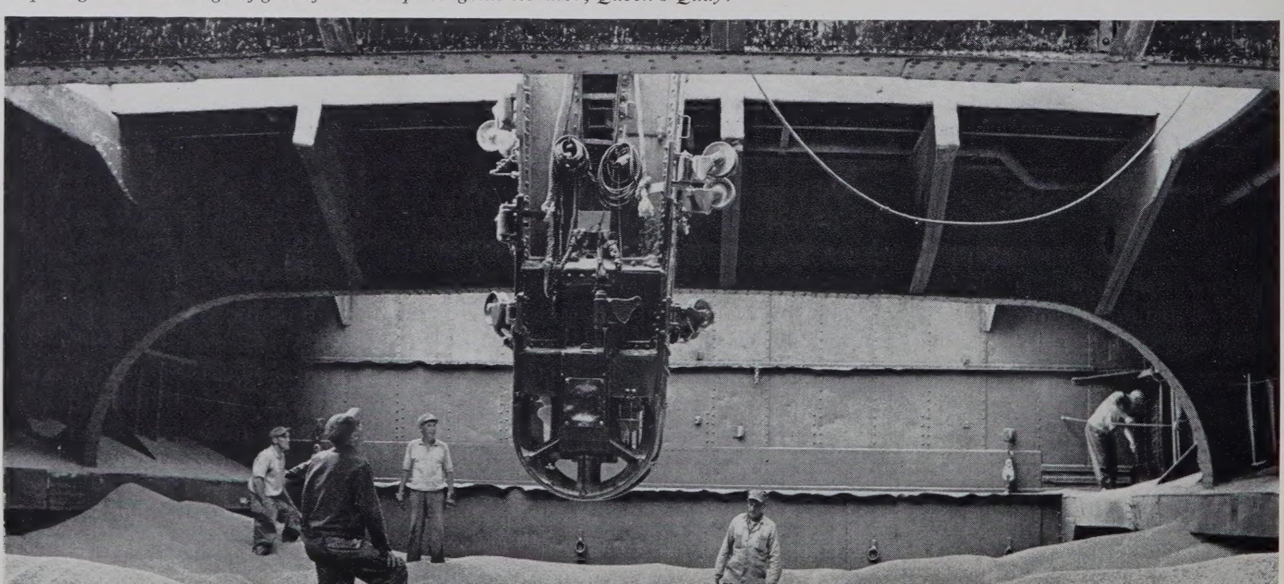
In addition to its R. & D. function, the division continues to do valuable work in the fields of quality control and technical service to customers in several important areas of our operations.

THE PERSONNEL AND INDUSTRIAL RELATIONS division, with the exception of the Port Colborne strike, experienced a normally busy year. Its activities which cover the field of employment, training, wage and salary administration, continued and there was a considerable load of administrative and communication work involved in inducting the 307 employees who joined Maple Leaf from The Quaker Oats Company of Canada and increased the total staff to 2,670.

A total of 29 employees retired this year from active employment. This increased the retired list of employees receiving pensions to 345.

A number of labour agreements were negotiated and renewed during the year. At Port Colborne, however, the Union declined to accept what would normally have been considered a reasonable and even generous offer for settlement and the employees went on strike on February 8th. The dispute was settled finally on April 26th, and both employees and the Company suffered heavy financial losses. All the customers of the Company were kept supplied with flour from alternative sources. This is the first strike that Maple Leaf has ever experienced and the results indicate most forcibly that strike action is an outmoded way of settling a dispute. The Company has always believed and practised the concept that good working conditions and friendly relations with its employees and

Preparing to unload cargo of grain from a ship alongside elevator, Queen's Quay.



Test bread baking in the laboratory at Company research building.

their Unions are essential to efficient operations, but it is not prepared to accede to uneconomic demands which jeopardize the future for all employees.

SERVICE DEPARTMENTS: The Purchasing, Traffic and Engineering Departments have all made significant contributions to the over-all efficiency of our operations in every division of the Company. In the Traffic area the Total Distribution Concept is being studied and evaluated to see if this approach would effect improvements and help control costs in the production, transportation and material handling fields. The Maple Leaf staff have been working all year long to introduce new accounting systems and information concepts, some of which are now operative. A centralized Insurance Department continues to effect economies through expert analysis of risk in the whole organization and its subsidiaries.

OUTLOOK: There is really only one unfavourable area which applies, not only to this Company, but to most business in Canada—this is the continuing problem of increased costs which have accelerated to such a level that genuine fear is arising for the country's position in export markets. In the domestic market it is hard to maintain prices in the face of labour settlements which in many cases are twice the level of those being reached in the United States and far above any increases in productivity or cost of living. Every effort is being made to improve productivity and to expand and diversify further so as to absorb at least some of the increase in costs. This has been successful in the past and can continue to be so, although the opportunities that exist become fewer as time goes on. Government activities on all levels tend also to raise costs through regulation and taxes. This economic atmosphere presents a real challenge to a progressive company willing to consider innovations. In the meantime price adjustments will take place and, although there will be a competitive lag, the squeeze on profit margins will ease. In Maple Leaf an internal organization for formal planning is being set up and one of its first tasks will be to blue print a formal continuing program to reduce costs, increase efficiency and improve profit margins through a critical examination of every Company activity.

APPRECIATION: Under the arrangements for the retirement of directors, Messrs. H. N. Bawden, P. G. Kingsburgh and C. E. Soward will not stand for re-election at the coming Annual Meeting. The services of these three directors have been outstanding over many years. Mr. Bawden was an original director of Toronto Elevators and later of Maple Leaf Milling, Mr. Kingsburgh a director of Maple Leaf Milling and Toronto Elevators, and Mr. Soward a former president of Maple Leaf Milling and the first president of Maple Leaf Mills.

Among the 29 employees who retired this year under the provisions of the Pension Plan was Mr. A. D. Clark, Vice-President of the Grain Merchandising and Elevator Division of the Company. Mr. Clark was an original of Toronto Elevators and his service amounted to forty years. He continues to serve on the Board of Directors. His loyalty and efficiency, and that of the others who also retired, have had much to do with the success of the Company.

The directors wish to accord their appreciation to all the staff for good work during a year which presented many unusual problems, most of which were overcome successfully.

On Behalf of the Board of Directors

G. M. MacLachlan,
President and
Chief Executive Officer

Toronto, Canada
May 28, 1968

MAPLE LEAF MILLS LIMITED

(Incorporated under the laws of Ontario)

assets

	1968	1967
CURRENT:		
Cash	$ 81,975	$ 327,910
Accounts and bills receivable	20,771,214	20,651,195
Accounts receivable from unconsolidated subsidiaries	1,356,441	526,257
Contract sales, due on future delivery of grain and other products	9,527,956	11,354,780
Inventories—		
Wheat held as agent for the Canadian Wheat Board, at cost	14,812,079	11,384,644
Finished products and materials held for production at the lower of cost and market	18,329,778	15,726,405
Other grains, at market	2,524,820	1,221,946
Marketable securities, at cost (market value $197,000; 1967—$1,503,000)	238,555	1,393,218
Prepaid expenses	450,976	473,153
Total current assets	68,093,794	63,059,508
INVESTMENTS:		
Mortgages, properties and other investments, at cost, less amounts written off	4,251,540	3,927,207
Unconsolidated subsidiaries (note 1)	2,137,854	2,364,231
	6,389,394	6,291,438
FIXED:		
Real estate, plant and equipment, at cost	60,916,398	55,210,241
Less accumulated depreciation	32,061,251	29,116,678
	28,855,147	26,093,563
OTHER:		
Refundable tax	169,583	114,213
Repair parts and supplies	189,163	183,344
Patents, trademarks and goodwill, less amortization	236,081	275,881
Unamortized debenture discount and expenses	339,863	374,908
	934,690	948,346
	$104,273,025	$96,392,855

consolidated balance sheet, March 31, 1968

(with comparative figures for 1967)

liabilities

	1968	1967
CURRENT:		
Bankers' advances (note 2)	$ 37,687,180	$20,778,387
Notes payable	1,300,000	8,000,000
Grain and other commodity commitments	2,806,947	4,031,163
Accounts payable and accrued charges	6,182,173	7,035,179
Income and other taxes payable	1,228,610	1,442,508
Funded debt payable within one year	362,400	323,450
Dividends payable	343,866	312,667
Total current liabilities	49,911,176	41,923,354
FUNDED DEBT (note 3)	11,500,000	12,294,400
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS	3,305,600	3,086,700
MINORITY SHAREHOLDERS' INTEREST IN PREFERENCE SHARES OF SUBSIDIARY COMPANIES	105,780	302,720
SHAREHOLDERS' EQUITY:		
Capital stock (note 4)—		
Authorized:		
75,000 preference shares Class A, par value $100 each		
18,623 5½% preference shares Class B (cumulative, redeemable and voting), par value $100 each		
4,000,000 common shares without par value		
Issued:		
18,622.15 preference shares Class B	1,862,215	1,862,215
1,596,919.85 common shares	5,184,552	5,154,358
	7,046,767	7,016,573
Less 5,390 common shares held by a subsidiary	4,270	4,270
	7,042,497	7,012,303
Contributed surplus	576,922	576,922
Earned surplus	31,831,050	31,196,456
	39,450,469	38,785,681
	$104,273,025	$96,392,855

On behalf of the Board:

J. D. LEITCH, *Director*
G. M. MACLACHLAN, *Director*

for the year ended March 31, 1968

(with comparative figures for the eight months ended March 31, 1967)

statement of consolidated earnings

	Year ended March 31, 1968	Eight months ended March 31, 1967
Revenue from sales, services and commodity trading margins	$136,813,738	$90,106,893
Earnings from operations before the items set out below	$ 10,018,173	$ 7,495,180
Dividends from unconsolidated subsidiaries	229,502	89,385
Income from marketable securities	50,054	42,150
Profit on sale of fixed assets	47,562	38,316
Profit on retirement of sinking fund debentures	47,175	31,460
	10,392,466	7,696,491
Deduct:		
Depreciation	2,410,898	1,528,000
Interest on bankers' advances and notes	1,553,833	941,859
Interest on funded debt	707,116	505,352
Loss (profit) on sale of marketable securities	68,635	(37,416)
Amortization of goodwill	39,800	23,400
Amortization of debenture discount and expenses	35,045	23,585
Dividends on preference shares of subsidiary companies	17,875	13,037
	4,833,202	2,997,817
Earnings before income taxes	5,559,264	4,698,674
Income taxes (note 7)	2,710,000	2,447,000
Earnings for the year	$ 2,849,264	$ 2,251,674

statement of consolidated earned surplus

Balance at beginning of year	$ 31,196,456	$30,011,762
Earnings for the year	2,849,264	2,251,674
	34,045,720	32,263,436
Deduct:		
Dividends—		
Preference shares	102,293	76,721
Common shares	1,312,377	990,259
	1,414,670	1,066,980
Provision for loss in value of ocean vessel	800,000	
	2,214,670	1,066,980
Balance at end of year	$ 31,831,050	$31,196,456

for the year ended March 31, 1968

(with comparative figures for the eight months ended March 31, 1967)

statement of consolidated source and use of funds

	Year ended March 31, 1968	Eight months ended March 31, 1967
Source of funds:		
Funds generated from operations	$ 5,506,345	$ 4,131,343
Sale of fixed assets	230,352	206,195
Issue of common shares	30,194	116,589
	5,766,891	4,454,127
Use of funds:		
Purchase of fixed assets	5,498,294	2,033,690
Payment of dividends	1,414,670	1,066,980
Reduction of funded debt	794,400	792,400
Redemption of preference shares of subsidiaries	402,560	26,440
Mortgages, properties and other investments (net)	324,333	45,935
Working capital deficiency of a subsidiary acquired in the previous year (note 1)	201,271	
Payment of refundable tax	55,370	63,708
Investment in unconsolidated subsidiaries	23,710	250,646
Other items	5,819	26,513
	8,720,427	4,306,312
(Decrease) increase in working capital	$(2,953,536)	$ 147,815
Working capital, end of year	$18,182,618	$21,136,154

notes to consolidated financial statements, March 31, 1968

1. Unconsolidated Subsidiaries

These investments are carried at amounts based on revaluation by the management in 1926 plus subsequent additions at cost. The financial statements of these companies have not been consolidated because a large proportion of the preferred and common stock and all of the funded obligations are held by other interests.

Maple Leaf's share of the current year's profits of unconsolidated subsidiaries was $421,028 as compared with dividends of $229,502 received during the year and included in the statement of consolidated earnings. Maple Leaf's share of the undistributed profits accumulated by such companies since acquisition (or in certain cases since financial reorganization of the companies) is $3,779,726 and has not been taken up in the consolidated accounts.

The accounts of a subsidiary which was acquired in the latter half of the previous fiscal year have been consolidated in the current fiscal year.

2. Bankers' Advances

Bankers' advances are secured by assignment of inventories and a general assignment of accounts receivable.

3. Funded Debt

Maple Leaf Mills Limited—	
5¾% sinking fund debentures maturing December 1, 1981—sinking fund retirements of $500,000 in each of the years 1968 to 1980, inclusive (balance of current instalment $60,000 included in current liabilities)	$11,500,000
Subsidiary company—	
6% first and second mortgages due October 9, 1968—$280,000 (U.S.) (final instalment of $280,000 (U.S.) included in current liabilities)	—
	$11,500,000

4. Capital Stock

During the year 2,554 common shares were issued under the employees' stock option plan for a total consideration of $30,194. There are options outstanding on 31,104 common shares under the employees' stock option plan which become exercisable over a period of years at prices ranging from $6.60 to $16.50 per share.

5. Commitments

On March 21, 1968 the company agreed to purchase substantially all of the assets of the Agricultural division of The Quaker Oats Company of Canada Limited. The fixed assets were purchased and paid for prior to March 31. Subsequently the receivables and inventory have been purchased for approximately $4,500,000 cash.

6. Remuneration of Directors and Senior Officers

Directors and senior officers of the Company were paid $335,526 by the company and $7,300 by the unconsolidated subsidiaries as direct remuneration.

7. Income Taxes

Income taxes for the year were reduced by approximately $150,000 as a result of the deduction of losses of a subsidiary carried forward from prior years.

8. Working Capital and Surplus Restrictions

Under the trust indenture securing the debentures and the letters patent authorizing the 5½% preference shares Class B, there are covenants for the maintenance of working capital; under the most restrictive of these covenants, dividends may not be paid that would have the effect of reducing consolidated working capital (as defined) below $8,000,000 or reducing the consolidated equity (as defined) below $25,000,000.

auditors' report

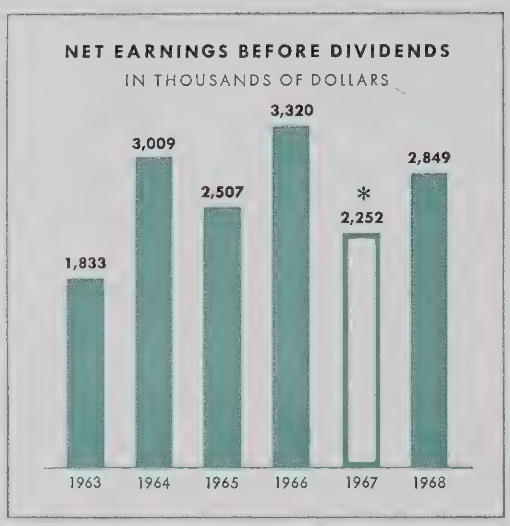
To the Shareholders of
Maple Leaf Mills Limited:

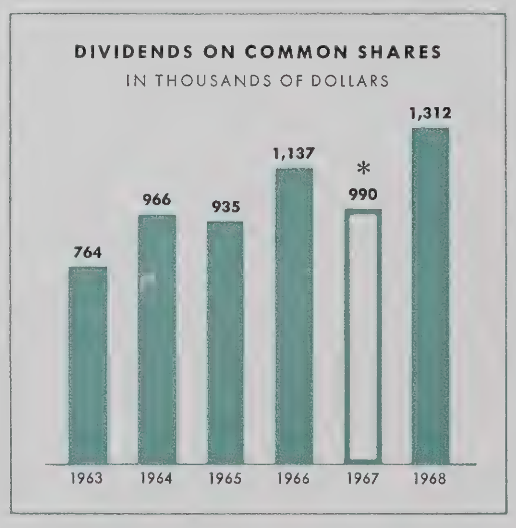
We have examined the consolidated balance sheet of Maple Leaf Mills Limited and its consolidated subsidiaries as at March 31, 1968, and the statements of consolidated earnings, earned surplus and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

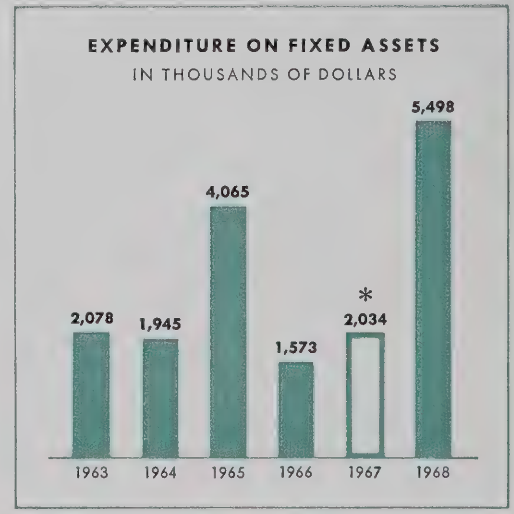
In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1968, the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

Toronto, Canada
May 28, 1968

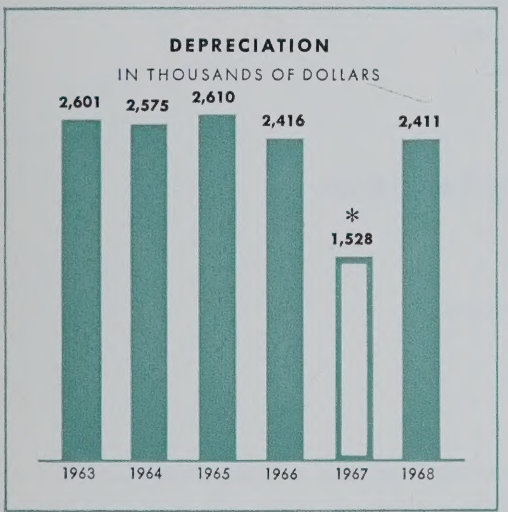
Clarkson, Gordon & Co.
Chartered Accountants

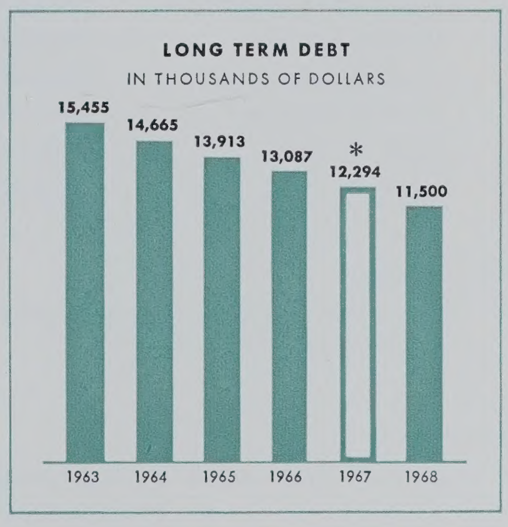


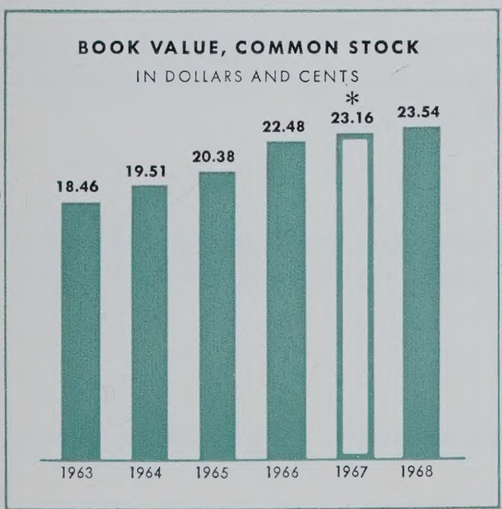


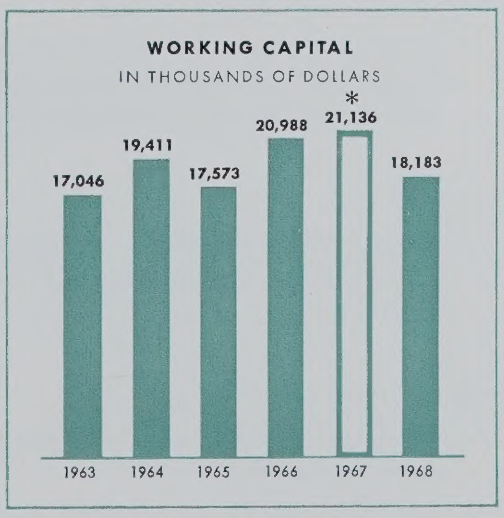


*Eight month period


DEPRECIATION
IN THOUSANDS OF DOLLARS
2,601
2,575
2,610
2,416
*
1,528
2,411
1963
1964
1965
1966
1967
1968


LONG TERM DEBT
IN THOUSANDS OF DOLLARS
15,455
14,665
13,913
13,087
*
12,294
11,500
1963
1964
1965
1966
1967
1968


BOOK VALUE, COMMON STOCK
IN DOLLARS AND CENTS
18.46
19.51
20.38
22.48
*
23.16
23.54
1963
1964
1965
1966
1967
1968


WORKING CAPITAL
IN THOUSANDS OF DOLLARS
17,046
19,411
17,573
20,988
*
21,136
18,183
1963
1964
1965
1966
1967
1968

Grocery Products

Purity Flour	Cream of the West Flour
Monarch Soft Wheat Flour	
Monarch Pouch-Pak Mixes	Monarch Sponge Puddings
Monarch Tea Bisk	Monarch Sugar Pie
Monarch Parfait-Dessert	Monarch Mixes
Monarch Tart Mixes	Brex Cereal
Red River Cereal	Bran Cereal
Master Pet Foods	Steele Briggs and Rennies Seeds

Bakery Products

Bakery Flours, including Durum, Rye, Corn and Hovis
Bulk Cake Mixes, Propionates

Sales Agencies

Bovril (Canada) Limited—Bouillon, Concentrate, Cordial, Marmite, Ambrosia Creamed Puddings, Corned Beef, Brisket.

Export Sales

All domestic grocery and bakery products and the products of E. D. Smith & Sons, Limited, St. Lawrence Starch Company Limited, McLarens Foods Limited, Culverhouse Canning Company Limited, Canada Vinegars Limited and Burns Foods Limited.

Agricultural

Master Feeds for all types of poultry, dairy and beef cattle, hogs, horses, and mink. Poultry meat and select chicks. Farm Equipment. Farm and lawn seeds. Agricultural dry and liquid fertilizers and chemicals.

Grains and International Trade

Merchandising of wheat, oats, barley, corn, soya beans, rye and flax. Edible nuts, coconut, peanut, marine and fish oils.

Vegetable Oil Products

Double Diamond oilcake and meal. Linseed, soybean and castor oils. Soybean Lecithin. Fabolin—a water soluble linseed oil. Concrete Protector. Epoxy Ester Resin solutions.